

## **1. PREAMBLE**

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (the "**Board**") of **Sona BLW Precision Forgings Limited** (the "**Company**") has adopted this Policy upon the recommendation of the Audit Committee and has set out standard operating procedures to regulate transactions between the Company and Related Parties.

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions and also on dealing with them as defined below. The Audit Committee will review and may amend this policy from time to time subject to the approval of the Board.

## **2. OBJECTIVE**

The objective of this Policy is to lay down criteria for identifying Material Related Party Transactions and to provide framework for governance and reporting of the Related Party Transactions.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## **3. DEFINITIONS**

3.1 "**Audit Committee**" or "**Committee**" means the Committee of the Board constituted/re-constituted under the provisions of Regulation 18 of the Listing Regulations read with Section 177 of the Companies Act, 2013 as in force from time to time.



3.2 “**Board**” means the Board of Directors as defined under the Companies Act, 2013.

3.3 “**Key Managerial Personnel (KMP)**” means key managerial personnel as defined under the Companies Act, 2013.

3.4 “**Material Related Party Transaction**” means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

3.5 “**Arm’s Length Transaction (‘ALP’)**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

3.6 “**Ordinary Course of Business (‘OCB’)**” means a transaction which/wherein:

3.6.1 is carried out in the normal course of business activities in the Memorandum of Association of the Company, as amended from time to time, or

3.6.2 is as per historical practice with a pattern of frequency, or

3.6.3 is in connection with the normal business carried on by the Company, or

3.6.4 the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or

3.6.5 is common commercial practice, or

3.6.6 meets any other parameters/criteria as decided by the Board/Audit Committee.

3.7 “**Relative**” shall have the same meaning as assigned to such term under the Companies Act, 2013 read with Regulations 2(zd) of the Listing Regulations 6, as in force from time to time

3.8 **“Related Party”** means an entity considered as a related party under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall also be considered as a related party

3.9 **“Related Party Transaction”** means transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged. A “transaction” with a related party shall be constructed to include single transaction or a group of transactions in a contract.

3.10 **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

3.11 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013.

#### **4. POLICY**

All Related Party Transactions must be referred to the Audit Committee for approval in accordance with this Policy.

#### **5. IDENTIFICATION AND MONITORING OF RELATED PARTIES**

##### **Process for Identification of Related Parties**

The Company shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/ KMPs, corporate and investment structure, as per the definition provided in the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 as amended from time to time. The names of all Related Parties identified shall be consolidated, as a Related Party List and this List as amended from time to time shall be progressively shared with the Accounts and Finance team.

##### **Process for monitoring Related Parties**

The Directors and KMPs should promptly communicate to the Company any subsequent changes in the initial disclosure submitted by them in the beginning of the year. The Company shall update the Related Party List on the basis of intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

**Responsibility of Directors and KMP's:** Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

**Time Line:** The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction. Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in other associations.

## **6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

### **6.1 Approval of the Audit Committee**

6.1.1 All Related Party Transactions require approval of the Audit Committee, whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards and Listing Regulations. (which approval must be recorded by the Committee at its next scheduled meeting).

Any subsequent modification of transactions of the company with related parties needs to be approved by the Audit Committee.

Provided that the transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

6.1.2 While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

6.1.3 However, the Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the company subject to the following conditions, namely

- The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year; (b) the maximum value per transaction which can be allowed; (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval; (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made; (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- The omnibus approval shall contain or indicate the (a) name of the related parties; (b) nature and duration of the transaction; (c) maximum amount of transaction that can be entered into; (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

- Such omnibus approval shall be valid for a period not exceeding 1 year and shall require a fresh approval after expiry of such year.

6.1.4 Where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

6.1.5 The Audit Committee shall review, on quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.

## **6.2 Approval by the Board of Directors**

6.2.1 All the Related Party Transactions falling under the provisions of Section 188(1) of the Companies Act, 2013, which are not in the ordinary course of business and/or at arm's length basis and are not exceeding the threshold laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as in force from time to time, shall be placed before the Board for its approval after review thereof by the Audit Committee

6.2.2 In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- Material Related Party Transactions, which are intended to be placed before the shareholders for approval.
- Where any contract or arrangement is entered into by a director or any other employee, and the same requires approval of the Board and if the same is entered into without obtaining the consent

of the Board, the same needs to be ratified by the Board in its meeting within three months from the date on which such contract or arrangement was entered into.

### **6.3 Approval of the Shareholders of the Company**

6.3.1 All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

6.3.2 All Material Related Party Transactions shall require approval of the shareholders through resolution and no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party. However, if ninety per cent or more members, in number, are relatives of promoters or are related parties, then the members may vote.

6.3.3 The requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

The Company shall ensure that the restrictions on voting by Related Parties and provisions regarding disclosure in explanatory statement annexed to the Notice of a General Meeting as prescribed under the provisions of the Companies Act, 2013 and the Listing Regulations are complied with while seeking the approval of the shareholders in this regard.

### **7. Transactions Not Requiring Approval:**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- a) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

## **8. Related Party Transactions not previously approved**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval/ratify the transaction from the Audit Committee within months from the date on which the transaction was entered into.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of the Act, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

## **9. DISCLOSURES**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013. Also, this Policy shall be disclosed on the Company's website viz [www.sonacomstar.com](http://www.sonacomstar.com).

## **10. AMENDMENT**

In case of any subsequent changes in the provisions of the Companies Act, 2013, including the Rules promulgated thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, such provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee.

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Approved and Adopted by Board of Directors on -14 August 2020  
Amended on -27 January 2021